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## **South Africa - Republic of**

### **TREE NUTS ANNUAL**

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**Report Highlights:**

For marketing year 2009/10, a production of 25,940 MT Wet In Shell (WIS) is estimated; this expected increase is due to the ample number of hectares planted in all South African macadamia producing areas .For marketing year 2008/09 South Africa produced 23,112MT WIS macadamias. This represented a 13.5 percent increase compared to the previous season due to increase in production in all South African macadamia producing areas.

Although the majority of South African macadamias are still exported to North America (United States and Canada) and Europe, sales volumes to these countries dropped to 68.2 percent in 2008 whilst volumes to South East Asia and Japan substantially grew by 41 percent and 71 percent respectively. The economic melt down is blamed as the culprit for the drop in sales nut volume in North America. The scope of exports is expected to widen to include the UK since South African

Macadamia Growers Association (SAMAC) and Australian Macadamia Society (AMS) have joined forces to embark on a program to stimulate the use of the Macadamia nuts.

### **Executive Summary:**

South Africa's 2009 macadamia nut production is expected to increase to 25,940MT Wet In Shell (WIS) which is largely due to an increase of area harvested. For marketing year 2008/09 South Africa produced 23,112MT WIS macadamias. This represented a 13.5 percent increase compared to the previous season due to an increase in production in all South African macadamia producing areas.

Improvement in sales volume of the nuts is expected as a result of strategies that are currently implemented both for the local and international market. Integrated pest management is currently the main focus area for macadamia research in South Africa.

All official USDA data is reported on a wet-in-shell basis (WIS). For the purposes of this report the following conversions were used:

Wet-in-Shell (WIS) to Kernel =  $WIS * .30 = \text{kernel}$

Kernel to WIS =  $3.4 * \text{Kernel}$

Dry-in-Shell (DIS) to WIS =  $DIS * 1.08$

### **Commodities:**

#### **Production:**

For marketing year 2008/09 (March 1, 2008 – February 28, 2009) South Africa produced 23,112 MT WIS macadamias, based on information received from the South African Macadamia Growers Association (SAMAC). This represented a 12- percent increase compared to the previous season. All South African macadamia producing areas increased their production in 2008. It is predicted that the positive production trend will continue for a number of years as all the Southern African production areas have planted ample hectares of macadamia over the past 5 to 10 years.

Post forecasts marketing year 2009/10 production will reach 24,600 MT WIS due to the ample number of tree hectares planted in all South African macadamia producing areas

Both the volume of kernel production and quality of the nuts was improved for the 2008 season. However early and late stinkbug damage, kernel discoloration and kernel immaturity are still the most important culprits that cause unsound macadamia in South Africa. Trials to determine the causes of discoloration are currently being conducted and preliminary reports indicate that irrigation and nutritional levels may play a role although further trials will have to confirm these possibilities.

#### **South African macadamia production**

	<b>2007#</b>	<b>2008#</b>	<b>2009*</b>
Wet In Shell	20286	23112	24600

Dry In Shell (1.5% MC)	18712	21233	22777
Sound Kernel	4902	6062	6642
Unsound kernel	847	740	738
Total kernel	5849	6802	7380

**Source:** #South African Macadamia Growers Association - (SAMAC)

\*Estimation – FAS Pretoria

A model for estimating macadamia nuts production was devised in the 1990's taking into consideration the amount of macadamia trees planted in South Africa and the projected production these plantings would produce. It appeared as though there was a movement away from this model for the 2006 and 2007 seasons. But in the past season the kernel production of 6062 tons came close to the predicted volume of 6400 tons of kernel.

#### Summary of the estimated macadamia kernel production

Years	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total number of trees ('000)	3993	4093	4193	4293	4393	4493	4593	4693	4793	4893	4993	5093	5293
Tree >11year ('000)	1701	1801	1901	2001	2101	2201	2301	2401	2501	2601	2701	2801	2901
Trees 6 - 10 years ('000)	963	1163	1363	1463	1563	1663	1763	1863	1963	2063	2163	2263	2363
Trees < 5 years ('000)	1329	1129	929	829	729	629	529	429	329	229	129	29	29
Yield for trees > 11y(3kg /tree)		5403	5703	6003	6303	6603	6903	7203	7503	7803	8103	8403	8703
Yield for trees > 6 - 10 y(1.25 kg /tree)		1450	1700	1825	1950	2075	2200	2325	2450	2575	2700	2825	2950
Total production prediction	6062	6853	7403	7828	8253	8678	9103	9528	9953	10378	10803	11228	11653

**Source: SAMAC**

#### Consumption:

Nut sales in South Africa increased slightly in 2008 compared to 2007. In MY 2008, approximately 245 MT kernel (833 MT WIS) were sold in South Africa, not including nuts marketed by individual farmers. SAMAC has implemented various strategies to increase the volume of macadamia consumed locally. These strategies include a program to limit illegal trade, quality awareness campaigns with supermarkets and marketing campaigns.

According to SAMAC, local market development is not progressing as desired mainly because of lack of expert and professional role players in the wholesale and retail trade as well as lack of commitment by local marketers to the local market. A program that is aimed at convincing retailers and other role players that there is value in the local market is currently being planned.

Internationally SAMAC joined forces with the Australian Macadamia Society (AMS) to raise awareness regarding macadamia consumption and usage in the UK's manufacturing and catering industry. In 2008 the focus was on educating bakery manufacturers and London restaurants about the possible usage of the macadamia nuts. The focus will widen this year to target the confectionery, ready made meals, wholesalers and food service/ catering companies. Post forecasts 2009/10 domestic consumption will increase to 900 MT WIS due to increased domestic marketing measures.

### **Trade:**

The industry is export based with more than 95 percent of annual production shipped to international markets. Europe is presently the largest market, followed by the USA and Canada, Japan, Southeast Asia and the Middle East. The volume of nuts sold in the North American continent also dropped by 21 percent in 2008 compared to 2007. This drop in sales is probably due to the economic downturn experienced in USA. Asian markets are developing and nut volumes sent to South Asia/Hong Kong (41 percent growth) and Japan (92 percent) grew substantially. Almost 1500 tons was exported to China.

Post forecasts MY2009/10 exports will increase in line with production to 23,500 MT WIS. Markets will remain the same, with growth seen in North America and SE Asia.

The average price over all styles of macadamia nuts in 2008 was R53.32/kg kernel with the highest price style 0 at R80.88 and lowest price R36.61/kg kernel

The following table shows exports from South Africa in kernel weight. For purposes of the USDA Production, Supply, and Demand table, this volume has been converted to WIS by multiplying by a factor of 3.4.

### **Stocks:**

SAMAC reports closing stocks on December 31, 2008, ranged between 30 MT and 195 MT for the different styles of macadamia nuts. Total closing stock for 2008 was reported at 976 MT of kernel and 840 MT Dry-in-shell (DIS) on December 31, 2008 (4,231 MT WIS). The higher closing stock, compared to past years, could be due to the fact that the South African produced volume is ever increasing and processors are taking longer to finish a seasons crop and hence a delay in the sales.

Official USDA data on ending stocks has differed significantly in the past compared to SAMAC data. In order to rectify these discrepancies, FAS/Pretoria increased MY2007 ending stocks slightly. MY 2008 ending stocks are also increased to reflect increased stock trends noted in recent SAMAC publications.

### **Marketed volumes – kernel (Kg)**

<b>Style s</b>	<b>Openin g</b>	<b>RSA</b>	<b>USA</b>	<b>Europe</b>	<b>S.E. Asia HK</b>	<b>Japan</b>	<b>Other</b>	<b>Total sales</b>	<b>Closin g stock</b>
0	714	22	45,953	111,087	15,053	2,041	816	174,972	44,640
1	6,093	28,966	63,526	475,639	40,772	33,362	19,612	661,877	122,859
2	3,187	78,351	76,590	868,864	84,229	34,201	127,110	1,269,345	28,248

3	20,423	40,087	96,627	535,253	7,802	143,49 6	157,558	980,823	132,066
4	19,459	67,212	862,204	322,550	81,103	79,754	33,022	1,445,84 5	222,048
5	7,518	6,721	310,208	136,454	45,404	184,21 9	35,721	718,727	159,103
6	15,105	6,381	99,031	73,537	21,519	0	1,077	201,545	57,187
7	10,545	10,113	10,660	21,840	7,847	0	2,461	52,921	11,226
S''/ Other	112,651	7348	3,493	107,863	22,643	58,968	113,431	313,746	198,688
<b>Total</b>	<b>195,695</b>	<b>245,20 1</b>	<b>1,568,29 2</b>	<b>2,653,08 7</b>	<b>326,37 2</b>	<b>536,04 1</b>	<b>490,808</b>	<b>5,819,80 1</b>	<b>976,06 5</b>
NIS				55,020			1,267,02 0		840,000

Source: SAMAC

Closing stock reported as at 12/31/2008

### Policy:

For registered chemicals and MRL for insect control on macadamias in South Africa:

[www.samac.org.za](http://www.samac.org.za)

### Marketing:

The average price of all styles in 2008 was slightly higher at R53.32/kg kernel compared to the average price in 2007 which was R46.25/kg kernel. Style 0 was the one that fetched the highest price of R80.00.

Style	Price range : R/kg 2008	Price range : R/kg 2007
0	R80.88	R61.10
1	R71.36	R58.64
2	R59.12	R53.16
3	R49.18	R40.08
4	R47.74	R40.32
5	R41.74	R36.28
6	R51.90	R37.56
7	R41.35	R38.00
S''/ other	R36.61	R51.09

Source: SAMAC

### Production, Supply and Demand Data Statistics:

Macadamia, Wet -Inshell Basis South Africa	2007			2008			2009		
	2007/2008			2008/2009			2009/2010		
	Market Year Begin: Mar 2008			Market Year Begin: Mar 2009			Market Year Begin: Mar 2009		
	USDA Official Data		Old Post	USDA Official Data		Old Post	USDA Official Data		Jan
			Data			Data			Data
Area Planted	15,900	15,900	15,900	16,000		16,000			16,000 (HA)
Area Harvested	8,000	8,000	8,000	9,360		9,360			9,400 (HA)
Bearing Trees	2,400	2,400	2,400	2,800		2,800			2,900 (1000 TREES)
Non-Bearing Trees	2,370	2,370	2,370	2,000		2,000			2,000 (1000 TREES)
Total Trees	4,770	4,770	4,770	4,800		4,800			4,900 (1000)

										TREES)
Beginning Stocks	1,078	13,041	1,078	833		1,094			2,987	(MT)
Production	20,025	22,784	20,286	24,600		23,112			24,600	(MT)
Imports	0	2,700	0	0		0			0	(MT)
Total Supply	21,103	38,525	21,364	25,433		24,206			27,587	(MT)
Exports	18,960	17,000	18,960	23,300		20,386			23,500	(MT)
Domestic Consumption	1,310	7,200	1,310	1,440		833			900	(MT)
Ending Stocks	833	14,325	1,094	693		2,987			3,187	(MT)
Total Distribution	21,103	38,525	21,364	25,433		24,206			27,587	(MT)